
Transportation Committee

HB 1504

Brief Description: Eliminating the handling loss deduction for the motor vehicle fuel tax.

Sponsors: Representatives Liias, Williams, Clibborn, Upthegrove, Hasegawa and Simpson.

<p>Brief Summary of Bill</p> <ul style="list-style-type: none">• Repeals the handling loss deduction on motor vehicle fuel tax.
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Hearing Date: 2/3/09

Staff: Jerry Long (786-7306)

Background:

In 1939, the Legislature provided that fuel distributors could deduct 1 percent of the volume before computing the fuel tax to be remitted to the state. Originally this was to account for losses the distributors sustained through evaporation and handling (100 gallons per 10,000 gallons loaded).

In 1951, the Legislature reduced the handling loss deduction to 0.25 percent and deleted the term evaporation from the statute, leaving handling losses as the rationale for the deduction (25 gallons per 10,000 gallons loaded).

In 1999, the point of taxation changed from the distributor level to terminal rack level. The legislation maintained the handling loss deduction for suppliers acting as distributors at 0.25 percent and increased the handling loss deduction for distributors and importer to 0.31 percent.

The Joint Legislative Audit and Review Committee (JLARC) is required to review each tax exemption at least once every 10 years. In 2008, JLARC reviewed this exemption (JLARC Report 09-4) and recommended that the Legislature should terminate the motor fuel handling loss deduction. Their recommendation was based on today's Department of Ecology's regulations concerning the methods and equipment used in the distribution of fuel that are more

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strict than they were in 1939 or 1951 (1.2 gallons per 10,000 gallons loaded or a totally clean truck at nine gallons per 10,000 gallons loaded).

There are 67 licensed motor vehicle fuel suppliers and there are 112 licensed motor vehicle fuel distributors and/or licensed motor vehicle fuel importers.

Summary of Bill:

The handling loss deduction on motor vehicle fuel tax is repealed.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2009.